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PACIFIC  TELESIS
Group - Washington

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July 6, 1993

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

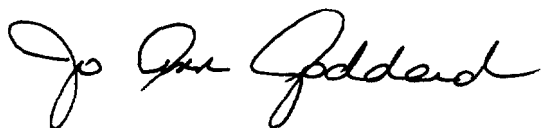
Dear Mr. Caton:

Re: CC Docket No. 93-124  **Treatment of Operator Services Under Price Cap Regulation**

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six copies of their "Comments" in the above proceeding.

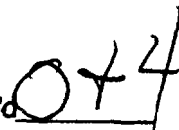
Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Treatment of Operator Services)
Under Price Cap Regulation)
_____)

CC Docket No. 93-124

COMMENTS OF PACIFIC BELL AND NEVADA BELL

Pacific Bell and Nevada Bell (the Pacific Companies) file these comments in response to the Commission's Notice of Proposed Rulemaking (NPRM).¹ The Commission proposes to establish a new service category in the traffic sensitive basket to include the rates set by LECs for operator services. The Pacific Companies provide two services that would be in this new category: operator transfer service and busy line verify/interrupt service. We question the need for this rule change.

In the LEC Price Cap Order,² the Commission rejected rate element banding because it was "inconsistent with one of the objectives of price caps - reducing administrative burdens."³

¹ Treatment of Operator Services Under Price Cap Regulation, CC Docket No. 93-124, Notice of Proposed Rulemaking, FCC 93-203, released May 26, 1993 ("NPRM").

² 5 FCC Rcd 6786 (1990).

³ 5 FCC Rcd at 6813, para. 222.

The burden of the proposed new rule would outweigh any benefits. The Commission reasons that its proposal "is necessary to ensure that price cap companies do not have unlimited ability to change prices for these services."⁴

This reasoning is inconsistent with the LEC Price Cap Order. It increases administrative burdens without any evidence that our ability to change prices for these services has been abused. We do not have unlimited ability to change prices for operator services, and in fact we have rarely changed those prices. Our rate for operator transfer service has never changed since price cap regulation began. Our rate for busy line verify/interrupt service has changed only to the degree that the PCI for the interexchange basket has changed, because it is currently the only service in our interexchange basket. That no competitor provides these services does not mean that we have unlimited ability to change prices. Demand for these services is already very sensitive to price. Only three carriers order our operator transfer service. We know from discussions with these carriers that they have considered not ordering them in the future. It is necessary to have some flexibility to change the price for this service, however, because such a high proportion of operator transfer costs consist of labor costs. Changes in labor rates translate into changes in the cost of the service. As the Commission observed recently, "applying [the] same


⁴ NPRM, para. 4.

productivity factor and formula to a single small service ... may be unfair or inaccurate."⁵

For these reasons, we respectfully oppose the Commission's proposal.

Respectfully submitted,

PACIFIC BELL
NEVADA BELL



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Their Attorneys

Date: July 6, 1993

⁵ "Commission Will Consider Four Areas of Adjustments to AT&T Price Cap Plan," News Release, June 24, 1993.